

# **JEFFERSON, URIAN, DOANE & STERNER, P.A.**

## **CAPE HENLOPEN SCHOOL DISTRICT**

### **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2007**

**FIELDWORK END DATE: DECEMBER 5, 2007**

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# TABLE OF CONTENTS

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Independent Accountant's Report on Applying Agreed-Upon Procedures	1 - 2
Appendix A: Schedule of Findings & Recommendations	3 - 6
Appendix B: Schedule of Prior Year Findings	7 - 10
Appendix C: Schedule of Construction Projects	11 - 12
Distribution of Report	13

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Dr. George E. Stone  
Superintendent  
Cape Henlopen School District  
1270 Kings Highway  
Lewes, Delaware 19958

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, Delaware 19901

We have performed the procedures enumerated below, which were agreed to by Cape Henlopen School District; the Office of Auditor of Accounts; and the State of Delaware Department of Education; solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual relative to the school construction projects administered by the School District for the year ended June 30, 2007. Cape Henlopen School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* (2003) issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Upon completion of Cape Henlopen School District's construction program and project checklists, our procedures resulted in finding(s), see *Appendix A*.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Upon completion of Cape Henlopen School District's construction program and project checklists, our procedures resulted in finding(s), see *Appendix A*.

3. Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

There are no findings upon completion of Cape Henlopen School District's construction program and project checklists.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30, 2007. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

There are no findings upon completion of Cape Henlopen School District's construction program and project checklists.

5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2007.

*See Appendix C.*

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Cape Henlopen School District management and Board Members, the State of Delaware Office of Auditor of Accounts, and the State of Delaware Department of Education, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

*Jefferson, Urian, Doane & Sterner, P.A.*

Georgetown, Delaware  
December 5, 2007

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Procedure Agreed Upon #1:***

#### ***Finding 07-01:***

During completion of Cape Henlopen School District's construction program and project checklists and as noted in prior year Finding 06-01, the School District did not have written policies and procedures in accordance with the State of Delaware's Fixed Asset Accounting Policy Manual II.B. and II.C. The Manual requires each State organization to establish written procedures and controls necessary to implement and monitor prescribed fixed asset accounting and reporting policies, guidelines, and standards. School District personnel were unaware of this requirement. Cape Henlopen School District could potentially be exposed to fraud, misuse of appropriated funds, and improper capitalization of construction work-in-progress and completed projects when adequate policies and procedures are not in place.

#### ***Recommendation:***

Cape Henlopen School District should establish written procedures to ensure that the State's fixed assets are properly monitored, identified, and recorded.

#### ***School District's Response:***

*"Management agrees that there should be written procedures and will take steps necessary to establish an appropriate District procedure to meet this objective by the end of FY 09."*

### ***Procedure Agreed Upon #2:***

#### ***Finding 07-02:***

During completion of Cape Henlopen School District's construction program and project checklists for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School, renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and construct new 1600 pupil high school, it was noted that approval of construction project was not obtained from the Architectural Accessibility Board as required by 29 Del. C. §7308(a) and the State of Delaware Budget and Accounting Policy Manual, XII.D.2. School District personnel were unable to provide evidence that construction plans and specifications were submitted to the Architectural Accessibility Board. Construction plans and specifications must be submitted for review and approval prior to the start of construction. This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause additional remedial project costs to be incurred by Cape Henlopen School District.

#### ***Recommendation:***

Cape Henlopen School District should establish procedures to ensure that proper approvals are obtained in accordance with the guidelines established by the State of Delaware.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Finding 07-02:***

#### ***School District's Response:***

*“Management agrees that there should be written procedures and will take steps necessary to establish an appropriate District procedure to meet this objective by FY 09. Evidence of the appropriate submission is available at the district office. District personnel are working with the architectural firm to obtain copies of the final approved documents.”*

### ***Finding 07-03:***

During completion of Cape Henlopen School District's construction program and project checklists for renovation and addition to Milton Elementary School and renovation and addition to H.O. Brittingham Elementary, it was noted that the approval of construction plans, specifications, and cost estimates from the Division of Facilities Management was not obtained prior to bid advertisements as required by 29 Del. C. §7419(a). This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

#### ***Recommendation:***

Cape Henlopen School District should establish procedures to ensure that proper approvals from the Division of Facilities Management are obtained in accordance with the guidelines established by the State of Delaware.

#### ***School District's Response:***

*“Management agrees that there should be written procedures and will take steps necessary to establish an appropriate District procedure to meet this objective by FY 09. Evidence of the appropriate submission is available at the district office. District personnel are working with the architectural firm to obtain copies of the final approved documents.”*

### ***Finding 07-04:***

During completion of Cape Henlopen School District's construction program and project checklists for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School, renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and Sussex Consortium lifeskills construction project, it was noted that the plans and the title page of the specifications did not bear the seal and signature of the architect and/or engineer who prepared them in accordance with School Construction Technical Assistance Manual, §1.0, Paragraph 1.6 to ensure that the School District entered into professional services contracts that do not violate provisions established by the State of Delaware. This was an oversight by School District personnel. Cape Henlopen School District could potentially be exposed to fraud, misuse of appropriated funds, and irregularities when adequate policies and procedures are not in place.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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***Finding 07-04:***

***Recommendation:***

Cape Henlopen School District should obtain plans and specifications that bear the seal and signature on each page of the plans and the title page from the architects and/or engineers who prepared them as soon as possible for renovation and addition to H.O. Brittingham Elementary, renovation and addition to Shields Elementary School, renovation and addition to Milton Elementary School, renovation and addition to Rehoboth Elementary School, and Sussex Consortium lifeskills construction projects.

***School District's Response:***

*"To meet the requirements of Title 24, Chapter 3 of the Delaware Code, Architects are required to sign and seal only the final construction documents. Management will take steps to ensure that we acquire and maintain these documents for each construction project. District personnel have made contact with the architectural firm and are awaiting copies of the signed and sealed plans."*

***Finding 07-05:***

During completion of Cape Henlopen School District's construction program and project checklists for the construct 2 middle schools track project, it was noted that School District personnel did not timely return bid bonds to unsuccessful bidders as required by 29 Del. C. §6962(d)(8)b and the State of Delaware Budget and Accounting Policy Manual, XII.D.3.1. Securities of unsuccessful bidders are to be returned within sixty (60) days after opening of bids. This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

***Recommendation:***

Cape Henlopen School District should establish procedures to ensure that bid bonds are returned to unsuccessful bidders as required by Delaware Code provisions.

***School District's Response:***

*"Management agrees that there should be written procedures and will take steps necessary to establish an appropriate District procedure to meet this objective by the end of FY 09."*

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Finding 07-06:***

During completion of Cape Henlopen School District's construction program and project checklist for Sussex Consortium lifeskills construction project, it was noted that approval of construction project was not timely obtained from the Architectural Accessibility Board as required by 29 Del. C. §7308(a) and the State of Delaware Budget and Accounting Policy Manual, XII.D.2. Construction plans and specifications must be submitted for review and approval prior to the start of construction. This was an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

### ***Recommendation:***

Cape Henlopen School District should establish procedures to ensure that proper approvals from the Architectural Accessibility Board are obtained timely in accordance with the guidelines established by the State of Delaware.

### ***School District's Response:***

*"Management agrees that there should be written procedures and will take steps necessary to establish an appropriate District procedure to meet this objective by the end of FY 09. Submissions were made to the AAB, and District personnel are working with the architectural firm to obtain copies of the final approved documents."*



# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
05-01 - During completion of Cape Henlopen School District's construction program and project checklists for the 6-classroom addition, it was noted that the School District failed to submit the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by 29 Del. C. §507(b).	Cape Henlopen School District should submit the archival-quality copies to Delaware Public Archives and establish procedures to ensure the copies are submitted upon completion of all projects.	Implemented.
05-04 - During completion of Cape Henlopen School District's construction and project checklist for the 6-classroom addition, it was noted that the School District failed to notify the Department of Education, the State Budget Director and the Insurance Coverage Office of final completion as required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 5.2.	Cape Henlopen School District should notify the required State agencies of the final completion of this project.	Implemented.
06-02 - During completion of Cape Henlopen School District's project checklists for the Sussex Consortium air conditioning project, it was noted that the School District's project construction files did not contain certain information required by the State of Delaware Budget and Accounting Policy Manual, XII.D.3.p. and XII.D.3.w. The files did not	Cape Henlopen School District should obtain and properly file the certifications on substantial completion and release of liens from all vendors and subcontractors for the Sussex Consortium air conditioning project.	Not implemented.  <b>School District's response 06/30/07:</b>  <i>"District personnel have been in touch with Paragon Engineering Firm to obtain the appropriate documentation. The engineering firm is unable to provide the requested</i>

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
06-02 - contain required certifications on substantial completion and release of liens from vendors and subcontractors. This was due to an oversight by School District personnel. Failure to comply with State of Delaware provisions, including the Budget and Accounting Policy Manual, could result in fraud, errors and irregularities.		<b>School District's response 06/30/07 - continued:</b>  <i>documentation. District personnel will establish procedures to ensure future compliance to meet this objective by the end of FY 09."</i>
06-03 - During completion of Cape Henlopen School District's project checklist for Sussex Consortium air conditioning project, it was noted that the School District failed to notify the Department of Education, the State Budget Director, the Insurance Coverage Office, and the State Auditor of final completion as required by the School. Construction Manual, §2.0, Paragraph 5.2 and §5.0, Paragraph 5.63. This was due to oversight by School District personnel. Failure to comply with State of Delaware provisions, including the School Construction Technical Assistance Manual, could result in fraud, errors and irregularities	Cape Henlopen School District should notify the required State agencies of the final completion of the Sussex Consortium air conditioning project.	Implemented.
06-04 - During completion of Cape Henlopen School District's project checklists for Sussex Consortium air conditioning project, it was noted that the School District failed to submit the archival-quality copies of architectural	Cape Henlopen School District should submit the archival-quality copies for the Sussex Consortium air conditioning project to Delaware Public Archives as soon as possible.	Not implemented.  <b>School District's response 06/30/07:</b>  <i>'District personnel has been in touch with</i>

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
06-04 - and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by 29 Del. C. §507(b). This was due to an oversight by School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.		<p><b>School District's response 06/30/07 - continued:</b></p> <p><i>Paragon Engineering Firm to obtain the appropriate documentation. The engineering firm is unable to provide the requested documentation. District personnel will establish procedures to ensure future compliance to meet this objective by the end of FY 09."</i></p>
06-05 - During completion of Cape Henlopen School District's construction project checklists for the Sussex Consortium air conditioning project and the electrical renovations project, it was noted that the School District had not submitted a copy of the electronic AutoCAD files to the Department of Education within thirty calendar days after the completion of the addition as required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 5.4. This was due to an oversight by School District personnel. Noncompliance with State of Delaware provisions, including the School Construction Technical Assistance Manual, could potentially cause a delay in receiving future State funding.	Cape Henlopen School District should submit a copy of the electronic AutoCAD files for the Sussex Consortium air conditioning and electrical renovations projects as soon as possible to the Department of Education.	<p>Partially implemented. The electrical renovations project has been corrected.</p> <p><b>School District's response 06/30/07:</b></p> <p><i>"District personnel have been in touch with Paragon Engineering Firm to obtain the appropriate documentation. The engineering firm is unable to provide the requested documentation. District personnel will establish procedures to ensure future compliance to meet this objective by the end of FY 09."</i></p>

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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Prior Year Finding	Recommendation	Status of Prior Year Finding
06-06 - During completion of Cape Henlopen School District's construction program and project checklist, it was noted that the School District did not properly code an expenditure of \$ 10,600. School District personnel inadvertently coded an expenditure related to 2 Middle School project (appropriation code 8077) to 6-classroom addition (appropriation code 7513). This miscoding caused the construction-work-in-progress for the 6-classroom addition project to be overstated by \$ 10,600 and the 2 Middle School project to be understated by the same amount. The Certificate of Necessity authorized funding for the planning, constructing, and equipping of a 6-classroom addition to the Route 24 Middle School. As required by 29 Del. C. §7415, the funds appropriated by an authorization act may be used only for the costs set forth in such act.	Cape Henlopen School District should submit an expenditure correction (EXE) form to correct \$ 10,600 for payment voucher 9517068837 by decreasing appropriation 7513 and increasing appropriation 8077.	Implemented.

**Status Key:**

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
Construct 2 Middle Schools	2001	\$ 2,666,700	\$ -	\$ 2,666,700	\$ -	\$ 2,666,700	\$ 2,666,700	\$ -
	2002	8,333,300	-	8,333,300	-	8,333,300	8,333,300	-
	2003	9,765,500	-	9,765,500	-	9,765,500	9,765,500	-
Construct 2 Middle Schools (Market Pressure \$)	2003	3,161,500	720	3,162,220	20,522	3,111,898	3,132,420	29,800
Sussex Consortium, Air Conditioning	2004	844,800	-	844,800	543	770,115	770,658	74,142
6-Classroom Addition, Rt. 5	2004	133,000	-	133,000	-	133,000	133,000	-
	2005	1,180,100	-	1,180,100	(10,600)	1,166,918	1,156,318	23,782
Construct New 1600 Pupil High School	2007	32,572,800	-	32,572,800	4,414,062	-	4,414,062	28,158,738
Renovation and Addition to H.O. Brittingham Elementary	2007	1,080,100	-	1,080,100	889,330	-	889,330	190,770

# SCHEDULE OF CONSTRUCTION PROJECTS - CONTINUED

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
Renovation and Addition to Shields Elementary School	2007	\$ 1,088,600	\$ -	\$ 1,088,600	\$ 916,035	\$ -	\$ 916,035	\$ 172,565
Renovation and Addition to Milton Elementary School	2007	1,102,000	-	1,102,000	673,455	-	673,455	428,545
Renovation and Addition to Rehoboth Elementary School	2007	1,155,600	-	1,155,600	1,086,240	-	1,086,240	69,360
Renovation Lewes 9th Grade Academy	2007	332,800	-	332,800	16,044	-	16,044	316,756
Sussex Consortium Lifeskills Construction	2007	600,000	-	600,000	104,860	-	104,860	495,140
<b>Totals</b>		\$ 64,016,800	\$ 720	\$ 64,017,520	\$ 8,110,491	\$ 25,947,431	\$ 34,057,922	\$ 29,959,598

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# DISTRIBUTION OF REPORT

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Copies of Cape Henlopen School District's Agreed-upon Procedures Attestation Engagement will be distributed by the Office of the Auditor of Accounts to the following public officials:

## Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
The Honorable Jennifer W. Davis, Director, Office of Management and Budget  
The Honorable Valerie A. Woodruff, Secretary, Department of Education  
Ms. Trisha Neely, Director, Division of Accounting  
Mr. R. Thomas Wagner, State Auditor, Office of the Auditor of Accounts

## Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

## Other Elective Offices

The Honorable Joseph Biden, III, Attorney General, Office of the Attorney General  
The Honorable Jack Markell, Treasurer, State Treasurer's Office

## Other

Ms. Dorcell S. Spence, Associate Secretary - Finance and Administrative Services Branch, Department of Education  
Dr. George E. Stone, Superintendent, Cape Henlopen School District